



Trade Facts

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The General Agreement on Trade in Services (GATS): Promoting Export Opportunities with Rules that Work for States

American service companies are the most competitive in the world and U.S. services markets are some of the most open anywhere. But U.S. services companies and their employees have often found their access to foreign markets blocked through discriminatory practices, investment restrictions, and other protectionist barriers.

To level the playing field for U.S. services exporters, the United States concluded a market-opening global services agreement in 1994. The WTO *General Agreement on Trade in Services*, or GATS, creates important new export opportunities for U.S. services firms and their employees in sectors like banking, insurance, telecommunications, express delivery, retailing, and professional services.

Recently, some state officials have suggested that the United States should withdraw commitments it made under the GATS regarding state-regulated services. These officials say their states should be exempted from GATS rules across a broad range of service sectors and excluded from GATS negotiations that are now under way. They worry that the GATS interferes with their state's ability to regulate in important areas like health care, education, and the environment.

These concerns are misplaced. The GATS contains strong protection for state regulatory authority. Under the GATS, states remain free to regulate foreign and domestic firms in every service sector to protect the public interest.

If the United States were to withdraw GATS commitments for individual states in response to unfounded concerns, it could signal that these states no longer welcome the investments and jobs that foreign services companies provide. It could also lead other countries to withdraw their own commitments to us, damaging export opportunities for American service providers and their employees.

Here are the Facts:

GATS Means Opportunities

- **The United States is the world's leading services exporting nation.** International services markets offer huge opportunities for U.S. firms and their employees, accounting today for nearly one-third of total U.S. exports. Total elimination of global barriers to trade in services could raise U.S. annual income by over \$450 billion or \$6,830 per family of four.
- **U.S. services exports have doubled over the past 10 years.** The United States recorded a \$48 billion surplus on services exports of \$340 billion in 2004. Sales through U.S. services companies operating abroad measured \$477 billion in 2003. These international transactions support high-paying jobs across the United States.
- **U.S. GATS commitments provide assurance to foreign investors that federal and state policies regarding foreign businesses are stable and fair.** These companies directly employ over three million people in the U.S. service sector.
- It took years of hard work by Democratic and Republican administrations for the United States to get governments around the globe to begin opening their services markets to American workers and companies.

- To convince other governments to open their markets, the United States agreed to keep selected U.S. service sectors open to competition. **If we withdraw those commitments now, it would give other WTO members an excuse for reneging on their commitments to us.**
- In addition, **if the United States withdrew longstanding, internationally-agreed commitments for certain states, it would risk sending the signal that these states are not prepared to give non-discriminatory treatment to foreign services companies. Foreign-owned companies around the world could conclude that that these states no longer welcome international services trade and investment and the jobs they create.**

GATS Rules Respect State Regulatory Prerogatives

- **The GATS is fully compatible with state regulatory authority, including in important public policy areas like health care, education, the environment, and land use planning.** The GATS has been in place for more than ten years. During this time, no U.S. trading partner has questioned a State measure in any of these areas or successfully challenged a State law or regulation in any other sector.
- **Foreign suppliers operating on the basis of a market-access commitment are subject to exactly the same domestic regulations as national suppliers; they have no right to exemption from planning or zoning rules, or any other kind of regulation.**
- Current U.S. commitments under the GATS were drafted in close collaboration with state regulators. The additional state commitments the United States has offered in GATS negotiations now in progress are based on existing state law and practice. **No state has been asked to make any change in its current laws or regulations.**
- **WTO dispute settlement panels cannot overturn or change state law even it is incompatible with the GATS. Only Congress and state legislatures can change U.S. laws. Federal and state sovereignty remains intact.**